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LABORATORY INDUSTRY REPORT®

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HIGHLIGHTS

Surgical Pathology Leads G-2 Reports' Top 10 AP List With $1.2 Billion in Medicare Dollars

The most recent data from the Centers for Medicare & Medicaid Services (CMS) reveal that surgical pathology continues to be the highest-volume Part B pathology procedure, with approximately 20.5 million procedures and $1.2 billion in Medicare payments in 2007, according to the forthcoming Washington G-2 Reports' *2008 Medicare Reimbursement Manual for Laboratory & Pathology Services*, to be published this summer.

This high volume can be largely attributed to the Medicare reimbursement of both the technical and professional components. As evident in Table 1 (p. 2), three surgical pathology procedure categories made up the top 10 listing, with the level IV (procedure code 88305) clearly taking the lead with 18 million procedures and $1.1 billion in allowed charges. This procedure alone comprised 67 percent of the total submitted number of services for the top 10 AP procedures, as well as 73 percent of the submitted charges and 74 percent of the allowed charges.

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Quest's Q2 Revenues up 3.5% to $1.9 Billion; Reveals First Acquisition of 2009

Growth at the nation's largest testing provider continues to be driven by esoteric and gene-based testing for the second quarter of 2009. This testing segment, which comprises 35 percent of Quest Diagnostics' (Madison, N.J.) revenue, helped to drive second-quarter revenue growth up 3.5 percent to $1.9 billion, with clinical testing revenues up 4 percent, compared to the same period during the previous year. For the first six months of 2009, revenues increased 2.4 percent to $3.7 billion compared to 2008.

Other positives for Quest included the growth in revenue per requisition, which increased 4.6 percent. Bad debt improved to 4.4 percent, which is flat compared to the second quarter of 2008, but an improvement from 4.5 percent during the first quarter of 2009. Days sales outstanding improved to 43 days, compared to 44 days at the end of 2008 and 46 days for the second quarter of 2008.

During the second-quarter earnings call, company CEO Surya N. Mohapatra, Ph.D., also revealed that Quest

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G-2 REPORTS' TOP 10 AP LIST, *from page 1*

The average payment in 2007 for the leading code—the level IV procedure—was $62.17. This was the third highest average payment among all of the top 10 tests. The highest average payment of these top tests was $85.12 for level V surgical pathology, followed by $71.16 for cytopathology. Two surgical pathology procedures were also the highest in average charge as a percentage of payment, which overall totaled 245 percent. Level III came in at 440 percent, followed by level V at 317 percent. In between these two procedures, coming in at second, was decalcification procedure at 353 percent.

Top 10 Medical Part B Anatomic Pathology Procedures (2007)

Procedure Code	Description	Submitted Services	Submitted Charges	Allowed Charges	Average Charge	Average Payment	Avg. Chg. as % of Avg. Pymt.
88305	Level IV, Surgical Pathology	18,336,141	$2,627,883,727	$1,140,033,591	$143.32	$62.17	231%
88342	Immunohistochemistry	2,975,316	415,815,462	154,273,114	139.76	51.85	270
88185	Flow cytometry	2,224,695	182,618,329	67,231,312	82.09	30.22	272
88312	Special Stains; Group I for org.	1,390,090	127,748,560	65,217,568	91.90	46.92	196
88304	Level III, Surgical Pathology	1,264,480	124,676,361	28,335,068	98.60	22.41	440
88313	Special Stains; Group II, all other	1,248,389	93,979,987	37,561,943	75.28	30.09	250
88307	Level V, Surgical Pathology	918,553	247,569,448	78,190,629	269.52	85.12	317
88112	Cytopathology (liq.Based slide)	863,649	145,993,969	61,453,693	169.04	71.16	238
88311	Decalcification procedure	679,054	28,989,903	8,223,163	42.69	12.11	353
88331	Pathology consultation dur. Surg.	608,111	109,676,670	36,938,098	180.36	60.74	297
	TOTALS:	**30,508,478**	**4,104,952,416**	**1,677,458,179**	134.55	54.98	245
	Total Surgical Pathology	**20,519,174**	**3,000,129,536**	**1,246,559,288**			

Source: Washington G-2 Reports' *Business Strategies for Anatomic Pathology*, 2nd edition, 2009

M&A Update: Sonic Healthcare Buys Labor Lademannbogen (Hamburg, Germany) for Estimated $15.5 Million

Sydney, Australia-based Sonic Healthcare Limited has made its first publicly disclosed acquisition for 2009. The testing provider will acquire Lademannbogen Laboratory (also called Labor Lademannbogen), for a potential deal worth US$15.5 million (€11 million). The transaction includes an up-front cash payment of US$9.2million (€6.5 million) and a performance-based earn-out of up to US$6.4 million (€4.5 million), payable after 18 months of settlement. The staff of 250 will continue to be led by the current executive staff, including CEO Ragna Arndt-Marić, M.D., and Medical Director Andreas Laemmel, M.D. Annual revenue for this year is expected to be approximately US$28.2 million (€20 million), which means this acquisition has a price-per-revenue multiple of .5x.

This relatively low price-per-revenue multiple indicates that the price for smaller labs might be weakening in Sonic's eyes, noted analyst John Hester of LINWAR Securities in Sydney. However, Hester said that the acquisition's value will be through synergizing the other Hamburg-area labs that the company has acquired in recent years. "Sonic is set to derive very significant earnings growth in the short term through the amalgamation of Schottdorf, Bioscientia and GLP Medical Labs in the Hamburg area and added to this now the Labor Lademannbogen acquisition recently announced," he explained. "We expect this acquisition will be EPS [earning per share] accretive from inception and represents good value." Hester estimates that Sonic paid 5.5x annual EBITDA, which represents a discount to what has been paid in the recent past—an average of 7x to 8x EBITDA.

In related news, U.S. operation of Sonic Healthcare (Austin, Texas) is rumoured to have acquired the CLIA-certified lab operated by Axiom Laboratories (Tampa, Fla.). In addition to this CLIA lab, Axiom operates radiology centers in the Tampa region.

■ **QUEST'S Q2 REVENUES UP 3.5%**, *from page 1*

had acquired OralDNA Labs (Nashville, Tenn.) during the second quarter. While financial details were not disclosed, this deal does mark Quest's first publicly disclosed acquisition for 2008. And Senior Vice President and Chief Financial Officer Robert A. Hagemann indicated that more acquisitions are likely to come in 2009, given the company's strong cash flow position. "While there will be some further debt repayment over the course of the year, we are in a position now where we can give a lot more consideration to acquisitions and share repurchasing, and the priority between those two would be acquisitions, because that can create sustainable growth for us," he explained.

While Quest expects that full-year revenue growth will be about 3 percent, the company increased its earnings per diluted share to between $3.70 and $3.80, up from the originally estimated $3.65 and $3.75.

Volume Headwinds

Despite these strong results for the second quarter, Quest is facing some challenges in terms of volume growth. Overall, Hagemann reported that volume was about 0.5 percent below the prior year, driven primarily by a 24 percent decline in pre-employment testing, which decreased consolidated volume by 1.7 percent.

Hagemann is confident that the drugs-of-abuse testing decline maybe be leveling off. "This is a business that we think has probably hit bottom at this point . . . over the last few quarters, the volumes relative to the prior year have been down by a consistent amount—24 percent or 25 percent," he said. "But we don't see that impact having its anniversary until late in the fourth quarter, because it wasn't until the fourth quarter of this year that we saw the big drop-off to where we are now."

But the esoteric and gene-based testing volumes showed impressive growth this quarter, with HPV testing growth at more than 10 percent, said Mohapatra. Allergy testing grew about 20 percent this quarter, and vitamin D testing continues to display impressive growth. "Researchers continue to find new links between vitamin D deficiencies and cancer, diabetes, and heart disease," said Mohapatra. "As a result, we have seen more than a 50 percent increase in vitamin D testing using our proprietary tandem mass spectrometry technology."

Negative Update Ahead for Medicare Lab Fees in 2010

Payment rates under the Medicare lab fee schedule could be headed for a cut of 1.9 percent in 2010, based on the consumer price index (CPI) figures released July 15 by the Bureau of Labor Statistics. While that figure may be revised, industry analysts point out, the adjustment is likely to be small, leaving labs to still see a cut in their test reimbursement next year.

While the fee schedule received no update from 2004 through 2008, it gained a 4.5 percent increase this year. Under current law, the annual update to the lab fee schedule from 2009 to 2013 is set at the full CPI-U minus 0.5 percent. Congress approved the formula and the time frame in the Medicare Improvement for Pa-

tients and Providers Act of 2008. Prior to this law, lab fees were entitled to the full CPI-U update, though Congress decreed a zero update for most of this decade.

Proposed Physician Fee Schedule Changes Could Mean Lab Cuts

Labs could also be facing cuts from the proposed 2010 Medicare Physician Fee Schedule (MPFS). The proposed policy and payment changes introduced by the Centers for Medicare & Medicaid Services (CMS) on July 1 feature changes to the relative value units (RVUs), which could mean decreased reimbursement for independent laboratories and other diagnostic testing facilities.

For independent laboratories, the revisions mean a decline of 5 percent, to $960 million, and for diagnostic testing facilities, this amounts to a cut of 24 percent, to $1,044 million. However, for pathology, there would be no change in allowed charges ($985 million) stemming from revisions to work, practice expense, and malpractice RVUs, according to Washington G-2 Reports' *National Intelligence Report*.

In terms of physician fees, the proposed fee schedule includes, as required by law, a negative update in physician fees under the Sustainable Growth Rate (SGR) formula used to calculate the annual update. Unless Congress steps in before Jan. 1, as it is expected to do with a modest fee hike, the SGR requires a cut of 21.5 percent in physician fees under the 2010 Part B fee schedule. The conversion factor for 2010 is an estimated $28.3208, down from $36.0666 in 2009.

For certain high-volume pathology and mammography procedures, CMS estimates major cuts from the combined impact of the RVU changes and the negative SGR update. For example, payment for CPT 88305, tissue exam by pathologist, would be cut 21 percent, from $37.15 to $29.45.

Anticipating congressional action to overhaul the SGR update formula, CMS is proposing to drop office-administered Part B drugs when calculating the fee schedule, a move welcomed by the American Medical Association (AMA). This will not alter the projected update for services during 2010, CMS said, but "it could reduce the number of years in which physicians are projected to experience a negative update."

Primary Care Gains

CMS is making several proposals to increase payment rates for primary care services, including an update to the practice expense component of physician fees, using data from a new survey, the Physician Practice Information Survey, designed and conducted by the AMA. The agency also wants to substitute evaluation and management (E/M) office visit codes for consultation codes billed by specialists and paid at a higher rate. The savings would be redistributed to existing E/M codes. This baseline physical checkup would see a payment increase, CMS says, in line with rates for higher-complexity services.

The benefit is available to beneficiaries within one year of their enrollment in Part B and includes referrals, where appropriate, for clinical laboratory, pathology, and other tests.

One-Stop Shop and AP-Focused Labs Embracing Growth While Fending Off Competition From National Labs

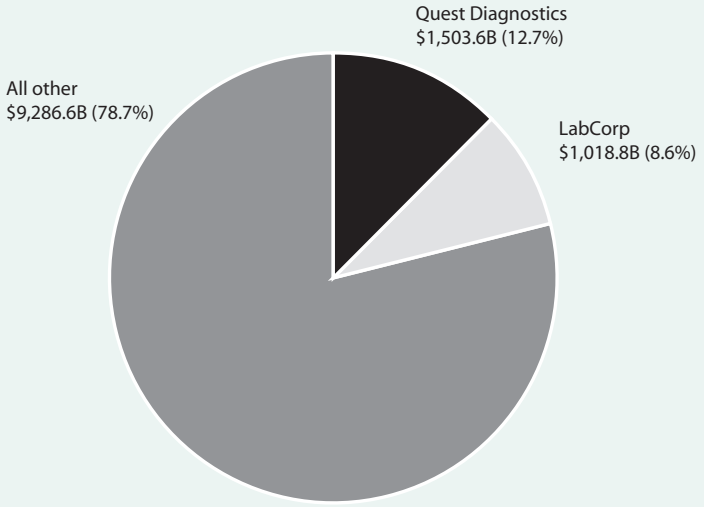
Driven by high reimbursement levels, the anatomic pathology (AP) market continues to boast one of the healthiest annual growth rates of 8 percent in the diagnostic testing industry, next to genetic and esoteric testing. In 2008, the AP market was valued at $9.67 billion and is expected to grow to over $10 billion in 2009, according to estimates in Washington G-2 Reports' Laboratory Industry Strategic Outlook: Market Trends and Analysis 2009. The high growth rates and positive pricing environment are driving the national laboratories to focus even more on expanding their AP testing services; however, the market remains highly fragmented—with nearly 80 percent of the market held by other pathology groups, independent labs, and hospitals (see Figure).

But there are many different regional pathology models currently finding success in the AP market: labs that offer AP and clinical laboratory testing services and those that focus primarily on AP testing services. One thing they have in common is identifying the weak spots in what Quest Diagnostics (Madison, N.J.) and LabCorp (Burlington, N.C.) can offer potential local clients.

It's important to emphasize the value—and savings—of keeping the specimens local, according to Vivek Khare, M.D., a partner with the Delta Pathology Group (Shreveport, La.). With an annual AP volume of 110,000 accessions, Delta also offers clinical testing through its laboratory operation, called Omega Diagnostics, which is a joint venture between the Delta pathologists and CHRISTUS Health System. Completing this one-stop-shop model, Delta offers billing and management services through one of its other affiliates, called Pathology Resources Network (PRN). Overall, Delta and its entities have 340 full-time, nonphysician employees, with 120 working at Delta, 175 at Omega, and 45 at PRN. Delta has about 23 pathologists; about 13 are full-time and are owners or partners in the group. The remainder of the staff is employed in a limited full-time or part-time capacity.

"One of the most expensive components of health care is in the delivery," said Khare. "For lab testing, the most comprehensive menu of testing, at times, includes providing an on-site pathologist,

AP Market Breakdown



Since the acquisition of AmeriPath by Quest Diagnostics for $2 billion in 2007, Quest and LabCorp have dominated the market with combined AP and cytology business of approximately $2.5 billion, or 21.3 percent of the overall AP-cytology test market. According to Washington G-2 Reports' Laboratory Industry Strategic Outlook 2007, Quest Diagnostics in 2005 was responsible for 7.7 percent of the AP market share, LabCorp for 7.6 percent, and AmeriPath for 5.1 percent. Based on recent data, G-2 Reports estimates that LabCorp's market share has increased slightly to 8.6 percent ($1 billion), probably caused by organic growth and the additional growth provided by the United Healthcare contracts; Quest's market share has jumped to 12.7 percent ($1.5 billion).

frozen section coverage, and a variety of administrative roles such as medical directorship, professional component services, and CLIA consultation; these are cost-ineffective for national labs to provide, and consequently we have a competitive advantage that we can parlay in the outreach sector by offering a comparable menu of testing and infrastructure to effectively compete with their service levels and pricing."

When Khare meets with managed care companies, as well as potential clients, he emphasizes not only the efficiency and cost-effectiveness of performing a comprehensive menu of testing closer to the patient, but also that they are having a positive community impact, by preserving intellectual property and growing intellectual capital. "We don't do client billing on anatomic specimens and we do not share the professional component [PC] with neither clinical specialties nor hospitals to entice their business," he explained. "We don't participate in pod labs and have elected thus far not to participate in in-house anatomic labs, so we are promoting proper utilization and ultimately that improves the delivery of health care. We believe managed care values these decisions."

In addition to the over 100,000 surgical accessions, Delta's cytopathology annual volume is currently 50,000, and the molecular pathology volume has grown to approximately 75,000 tests per year. In terms of clinical lab growth, Omega's total annual volume is now up to over a million tests. This is impressive, given that the group started out at 700,000 billable tests per year—400,000 to 500,000 were inpatient from CHRISTUS Hospital System—when they first launched the joint venture in April 2005. "Over the last four years, Omega's volume has grown to 1.3 million tests, and now only 32 percent to 35 percent of the volume currently comes from the hospital inpatient sector," said Khare. "Our ultimate goal is to open up this model to other health systems in Louisiana, so we can perhaps develop a community-focused laboratory network that provides cost-centered clinical lab services at the inpatient, outpatient, physician office, and reference laboratory outreach labs." Annual net revenue of all affiliated entities and clients, now billed and managed by PRN, has grown from $5 million in 1997 to $55 million in 2008.

The AP-Focused Model

In contrast to the Delta Pathology model, some pathology practices choose to focus primarily on AP, rather than offer other services. The Southern California-based Affiliated Pathologists Medical Group (APMG) started out as a full-service laboratory over 20 years ago, but decided to focus on AP beginning around 2000. APMG now has 35 pathologists working at 25 locations in four counties. APMG is not solely focused on AP, however. The group also performs a significant amount of molecular pathology and cytology testing.

The APMG pathologists made the decision to focus on AP after analysis on cutting out capitation caused their profit margins to go up. "One of the things that we tracked was what would happen if capitation continued, and if managed care continues to drive the price of testing down," said APMG's president, Richard Ellis, M.D. "We saw that we could survive, but it takes an inordinate amount of energy and time to keep focused on that clinical laboratory operation. On the other hand, we are already involved with hospitals, so

we decided to continue to work with hospitals but concentrate on AP. Today, we could go back into the clinical laboratory business, but we won't because of our growth is continuing and we are still growing faster than we could with clinical laboratory services."

Developing Your Brand

One of the challenges that Ellis and his colleagues confronted was a need to focus on developing brand recognition. "If you don't want to raise your own visibility, you won't be as successful, particularly in the anatomic area," he explained. "We spent the early years of our practice thinking that the lower the profile, the better. But today's environment is different and brand recognition is key."

But building a brand for a one-stop-shop model also presents challenges, said Khare, adding that it's not always easy to co-market AP and clinical lab services. "It's false to say that if you offer a one-stop shop it guarantees you business with every client," he added. "However, we have been able to demonstrate high retention of business, and we've been able to recruit business that we've lost before by offering the one-stop shop approach. And we believe in the future, there needs to be an integration of the AP and CP fields, bringing the laboratory business full circle, back to a comprehensive menu of testing. This transition will be hastened by the advent of molecular and genetic testing, both of which overlap the AP and CP realms."

Both groups are also concerned about the trend of more specialty practices bringing pathology in-house, particularly in the areas of gastrointestinal, dermatology, and urology. This has sparked concerns about driving testing overutilization and is likely to be a focus of CMS and other federal regulators in the next update of the Stark legislation.

Delta does not provide PC services for specialty groups that have in-house anatomic labs and is concerned that, due to the lack of established checks and balances to monitor utilization, there is potential to profit from inappropriate and overutilization, Khare believes. "The in-house ancillary testing exemption in the Stark legislation was not intended to permit in-house anatomic pathology labs," said Khare. The increased scrutiny by Centers for Medicare & Medicaid Services and the Office of the Inspector General are additional concerns that have influenced their decision not to participate. "As a philosophical argument, if it is not permissible for clinicians to profit from the professional services of other clinicians, then why is it acceptable for them to profit from the work of pathologists?" asked Khare. "Delta strives to promote the intellectual property and intellectual capital of our profession that is so routinely undervalued and exploited by the market, and we will not participate knowingly and willingly in our profession's indentured servitude."

In comparison, Ellis's group is performing the PC services for a very few practices, although he said that his group is pushing to limit these practices through grassroots industry action. "It is a threat, and it requires better and more aggressive marketing, and it means paying attention to those practices who might be the most likely to move their pathology business in-house," he said. "However, so far the overall impact hasn't been severe."

Hear more about Delta Pathology's growth strategy in a video interview with Vivek Khare, M.D., now online at www.g2reports.com.

IBT, ViraCor Laboratories Merger to Offer Comprehensive Immunology and Infectious Disease Test Offerings

Both located only 22 miles apart in the Kansas City-region, specialty testing providers ViraCor Laboratories and IBT Laboratories have announced plans to merge their operations to offer infectious disease, immunology, and allergy disease testing services through a single company.

John Martin, President of ViraCor Laboratories.

"As both of our businesses continued to grow and we saw potential opportunities, it was really a natural fit between immunology and infectious disease testing," said John Martin, president of ViraCor (Lee's Summit, Mo.), a molecular diagnostic testing provider previously focused on infectious disease testing. "I think we were both at a point where we felt that our strengths were better together, as we begin to pursue an aggressive growth pattern."

The combined companies will have a total of over 200 employees, about half of whom work in the laboratory, either on the clinical side or through the companies' pharmaceutical research business. The companies' two laboratory facilities total approximately 60,000 square feet. While neither company would disclose financial details of the merger, Martin did say that the combined annual volume is expected to be more than 400,000 samples processed this year, and the companies are expected to service more than 4,000 clients throughout the United States. Last year, ViraCor's vice president, Bob Wilhelm told *LIR* that the company's 2009 revenue was expected to reach $27 million, up 35 percent from 2008's total of $20 million (*LIR*, September 2008, p. 3).

For the near future, the companies will continue to market themselves under their individual names, said Martin. "For the time being, we will go to market under both names, with the intent on exposing clients to the respective offerings of the full laboratory capabilities," he explained. "Over time, we will evaluate naming and branding strategies."

Homing in on Synergies

IBT Laboratories' President Maureen Loftus.

In recent years, both companies had found themselves moving into the other's specialty area. For instance, ViraCor was beginning to look at offering cellular tests to complement their molecular offerings, explained IBT Laboratories (Lenexa, Kan.) President Maureen Loftus. "Over time, physicians are going to want not only to know the levels for certain pathogens, but from a cellular perspective, is the body functioning appropriately," she explained. "Conversely, IBT has been very strong on the immunology and pathogenic-based cellular tests, and we started to add molecular offerings to complement the molecular offerings. As we started to converge on what ViraCor was doing, we thought that we could get there a lot faster if we were to combine forces."

Moving forward, the primary focus of the short-term growth strategy will be repackaging a comprehensive test menu for the physician specialists, who make up part of each company's individual client base, many of whom might not be aware of the other company's test offerings. The focus of long-term growth will be offering a more broad-based menu of molecular and cellular immunology and immunocompromised disease testing services.

In the past, both companies have primarily sold to the reference and hospital-outreach laboratories, although, of course, it is the physicians who are ordering the tests. Nevertheless, Loftus sees continued partnership possibilities. "I think that there is a significant amount that the combined companies offer that the national labs do not, but I think it's still very complementary for the national labs to partner with us," she explained.

Genetic Testing Group Calls for Mandatory Registry

Johns Hopkins University's Genetics and Public Policy Center (GPPC) is calling for a national mandatory registry of genetic tests, insisting it's necessary to improve the quality and transparency of this testing technology.

While there are currently genetic tests available for more than 1,700 conditions, oversight has not kept pace with the increasing availability and complexity of such tests, GPPC officials argue in "Developing the Blueprint for a Genetic Testing Registry," a forthcoming article in the journal *Public Health Genomics*. A registry was also recommended by the Secretary's Advisory Committee on Genetics, Health, and Society in April 2008, they point out in the article. However, the Department of Health and Human Services has yet to act upon this recommendation.

Details of the proposal include several features to ensure the effectiveness of the registry:

- It should be mandatory, with penalties imposed for noncompliance.
- Both clinical laboratories, and test distributors that "either advertise testing services beyond the laboratory's stated indications or provide interpretation that is different from or additional to that which is provided by the laboratory," should be required to register.
- Providers of tests for ultrarare disorders would be initially exempt from some reporting requirements that could be unduly burdensome.
- The registry would contain information adequate to assess how reliable a test is (analytic validity), how the results relate to current and future disease risk or health status (clinical validity), and how useful the results are in informing patient diagnosis or treatment or in disease prediction, management, or prevention (clinical utility).

"The establishment of a test registry is critical for informed decision making by health care providers, payers, and patients in both the United States and other countries, all of whom need ready access to truthful information about genetic tests," stated various GPPC staff members, including director Kathy Hudson, Ph.D., in the article. "It is a critical first step in the development of a more transparent, quality-centered system of oversight that will better inform and protect the public."

Myriad Cites Economy in Flat Q4 Results; Lowers Full Year Result Expectations

After experiencing quarters of robust growth, Myriad Genetics' (Salt Lake City) molecular diagnostic revenue is expected to remain essentially flat for the fourth quarter—dropping to $86 million from $86.5 million in the

third quarter, albeit an increase of 33 percent from the last year's fourth quarter. However, company officials have announced that these disappointing results will, of course, impact full-year earnings. Full-year 2009 revenues were expected to grow more than 48 percent over 2008 levels to approximately $330 million. However, officials are currently projecting a 46 percent increase to approximately $326 million.

Officials failed to reply to a request for comment by press time, but a statement released by the company indicated that the fourth-quarter earnings have been impacted by the current recession and resulting increase in unemployment levels, which is therefore resulting in the loss of insurance coverage.

In recent months, Myriad has implemented an aggressive direct-to-consumer (DTC) marketing campaign to penetrate the women's health diagnostic testing market. The core of this marketing strategy is the recent $8 million physician and DTC advertising campaign in Texas and Florida, promoting its BRACAnalysis test, which assesses a woman's risk of developing breast or ovarian cancer based on detection of mutations in the BRCA1 and BRCA2 genes. This campaign follows a successful outreach effort in the Northeast, and a Midwest campaign is also planned for 2010—each estimated to cost $8 million. In addition, Myriad has expanded its ob/gyn sales force in recent months to 100, bringing the company's total sales force to 250.

In related news, the company has now completed the spin-off of its pharmaceutical business from the molecular diagnostics business.

ACLA Applauds Senate HELP Committee's Approval of Prevention Amendment In Health Care Reform Bill

The Senate Health, Education, Labor, and Pensions (HELP) Committee accepted an amendment to its proposed health care reform bill that will improve the ability of the U.S. Preventive Services Task Force (USPSTF) to include best practice screening recommendations from a number of government and private-sector entities. The committee approved its reform bill on July 15.

The lab industry lobbying organization—the American Clinical Laboratory Association (ACLA)—applauded the move, indicating that this addresses one of the group's health care reform priorities. ACLA leaders have expressed concern in the past that there is no laboratory industry representative on the USPSTF, whose recommendations often determine Medicare and Medicaid, as well as private insurance provider coverage. Therefore, most preventive screenings are not covered by insurance, even though other professional organizations make recommendations about the role that such testing plays in preventive care.

"As one of many examples, the American Association of Clinical Endocrinologists recommends annual diabetes screening for adults over 30 years, at risk of diabetes and to screen all patients with diabetes for chronic kidney disease," according to an ACLA statement. "Neither of these recommendations would be implemented under current USPSTF recommendations."

Lab Index Continues to Gain Strength; Up 7% Over Five Weeks, 30% for Full Year 2009

The G-2 Reports' Laboratory Stock Index continues to gain steam throughout the summer. The 14 publicly traded lab stocks tracked by the index are up 7 percent over the past five weeks, 22 percent over the past 13 weeks for the week ended July 17, 2009, and an impressive 30 percent so far in 2009. The Nasdaq also continues to exhibit strength, and the S&P 500 is finally beginning to make gains, after months of posting losses. For 2009, the Nasdaq is up over 15 percent, while the S&P 500 is slightly under 1 percent so far this year.

However, this month's gains are largely driven by the top lab—**Monogram Biosciences** (South San Francisco, Calif.)—to post gains for the period ended July 17. Monogram, currently being acquired by **LabCorp** (Burlington, N.C.), is up 150 percent to $4.53 per share for a market cap of $104.61 million. The second lab leading the top gains for early July is specialty testing provider **NeoGenomics** (Fort Myers, Fla.), which was up 7 percent to $1.35 per share for a market cap of $43.98 million. Rounding out the top gainers is **Quest Diagnostics** (Madison, N.J.), up 4 percent to $55.88 per share for a market cap of $10.33 billion.

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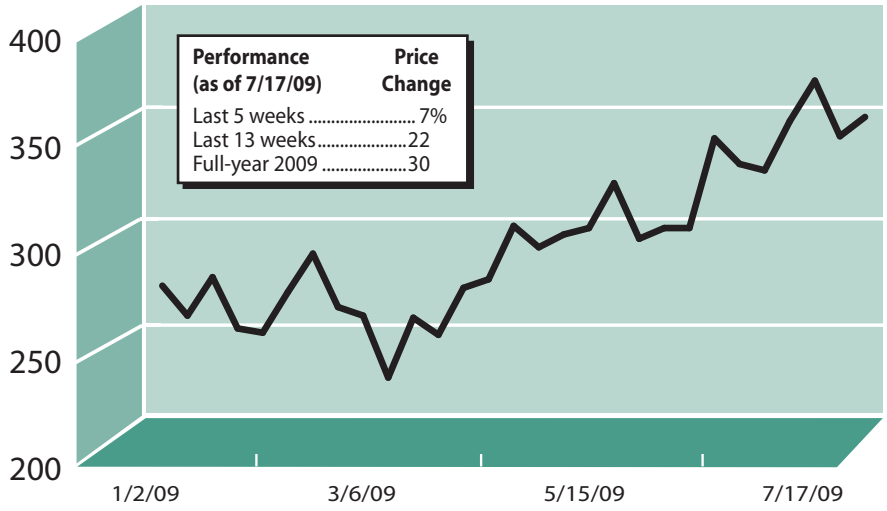
There were some significant losses for this period. The top labs posting the greatest losses were led by **Myriad Genetics** (Salt Lake City), which is down 32 percent to $25.33 per share for a market cap of $2.47 billion. Tied for second are **Orchid Cellmark** (Princeton, N.J.) and **Genoptix** (San Diego), both down 11 percent for the week ended July 17. Orchid was down to $1.50 per share for a market cap of $44.65 million, while Genoptix was down to $28 per share for a market cap of $470.87 million.

G-2 Laboratory Stock Index



Source: The G-2 Laboratory Stock Index is tabulated weekly by *Laboratory Industry Report* from the average percentage change in the price of 14 laboratory testing service stocks.

Top Gains and Losses Over Past Four Weeks Percent price change, week ended 7/17/09

	Percent Change	*Price*
UP		
Monogram Biosciences	150%	$4.53
NeoGenomics	7	1.35
Quest Diagnostics	4	55.88
DOWN		
Myriad Genetics	32	25.33
Orchid Cellmark	11	1.50
Genoptix	11	28.00
Bio-Reference	6	29.72

INDUSTRY buzz

ARUP Names New Chief Medical Officer

Salt Lake City-based ARUP Laboratories has named Sherrie L. Perkins, M.D., Ph.D., as chief medical officer (CMO) and director of laboratories, effective July 1. Perkins will be taking over the responsibility from Edward R. Ashwood, M.D., who will be transitioning into the role of president and chief executive officer (CEO). These transitions are coinciding with the retirement of the company's founder and CEO, Carl R. Kjeldsberg, M.D., on June 30, 2009.

Perkins has been with ARUP Laboratories (Salt Lake City) and the University of Utah for 19 years. During this time, she has served in numerous leadership roles including director of hematopathology, interim department chair, and, for the past three years, as a member of the ARUP Laboratories' executive management team. She is a tenured professor at the University of Utah, School of Medicine, is board-certified in anatomic pathology, and holds a special qualification in hematology. She received her Ph.D. in biochemistry from the University of Miami and earned her M.D. and completed her pathology residency at Washington University.

References in this issue

Affiliated Pathologists Medical Group 310-769-0561

American Clinical Laboratory Association 202-637-9466

ARUP 800-242-2787

Bio-Reference Labs 800-229-5227

Delta Pathology Group 318-621-8820

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